

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICAID
Post Payment Safeguards**



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EXECUTIVE SUMMARY

PURPOSE

This is the last of three reports describing Medicaid program safeguards. This report discusses post payment safeguards. The first report discusses proactive safeguards and the second describes claim processing safeguards. This report is intended to provide information about and increase awareness of Medicaid post payment safeguards. Post payment safeguards ensure that claims have been properly processed and adjudicated.

POST PAYMENT SAFEGUARDS

Remittance Notices furnish providers with information about services billed to Medicaid using their name and provider number. Medicaid providers are asked to report any discrepancies. Unfortunately, remittance notices are sometimes diverted to billing companies or persons unknown to the provider.

Explanation of Benefits are sent to select Medicaid patients. They provide patients with information about providers who billed Medicaid for services provided to them. Patients are asked to verify that they have used or received the services billed to Medicaid.

Post Payment Reviews/Audits and Sampling are used to measure claim payment accuracy, identify incorrectly paid claims, identify problematic policies and procedures and provide feedback on the effectiveness of proactive and claims processing safeguards.

Allegations of Fraud and Abuse are handled differently by each State we visited.

Information is not uniformly captured; therefore, comparing data on Medicaid fraud and abuse efforts is difficult.

Payment Error Rates are used by some States to identify policy vulnerabilities and claims processing vulnerabilities.

OPPORTUNITIES FOR IMPROVEMENT

Based on our prior studies and information gathered during this study, we encourage States to consider the following opportunities for improving program safeguards:

- ▶ **Improve provider remittance notice procedures.** Current procedures do not always ensure that providers receive remittance notices. Some States believe that some remittance notices are diverted to third parties and never seen by the provider whose billing number was used to generate the claim.
- ▶ **Improve provider education.** Every provider should understand that they will be held financially (and, in some cases, criminally and civilly) liable for any Medicaid program financial losses stemming from misuse of their provider number.

- ▶ **Use valid sampling techniques to improve post payment audits.** Using valid sampling enables States to accurately project the total payment error and overpayments made to a provider.
- ▶ **Ensure that some providers selected for post payment review are chosen at random.** Random selection can have a deterrent effect on fraudulent and abusive billing and enables States to identify problematic providers who have circumvented their program safeguards.
- ▶ **Document educational contacts stemming from post payment audits.** Recording education contacts helps establish that a provider have been made aware of unacceptable billing practices.
- ▶ **Improve their surveillance of providers found to have billing problems.** States should verify that a provider has corrected unacceptable billing practices and has not simply found a way to circumvent Medicaid safeguards.
- ▶ **Work with Health Care Financing Administration (HCFA) to establish uniform definitions for audits, edits, reviews, claim counts, rejects, etc..** Clarifying these terms should allow the States and HCFA to compare and contrast efforts in safeguarding Medicaid.
- ▶ **Improve the handling of fraud and abuse allegations.** Their should be written procedures for uniform handling of suspected fraud and abuse situations identified by Medicaid employees and subcontractor employees.
- ▶ **Develop training to help their employees and subcontractors identify potential fraud and abuse issues.** Training would help ensure proper disposition and handling of allegations and help ensure proper referral of cases for in depth investigation.
- ▶ **Collect better data on payment error rates.** Error rate data can be used to identify and address problematic providers, poor policies and vulnerable procedures.

We intend to do additional in depth studies on post payment safeguards used by States.

AGENCY COMMENTS

The HCFA believes that the opportunities for improvement described in this report provide valuable information that will be shared with the State Medicaid programs.